
DISCOUNT AND ADVANCE RATES -- Reduction in the primary credit rate from 4-3/4 percent to 4 percent.

**Approved.
January 21, 2008.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Chicago and Minneapolis had voted on January 17, 2008, to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 4 percent (a reduction from 4-3/4 percent). The directors of the Federal Reserve Banks of Boston and Cleveland had voted on January 10 and the directors of the Federal Reserve Banks of New York and Philadelphia had voted on January 17 to establish a primary credit rate of 4-1/4 percent. The directors of the Federal Reserve Banks of Richmond and Dallas had voted on January 10 to establish a primary credit rate of 4-1/2 percent. The directors of the Federal Reserve Banks of Atlanta, St. Louis, Kansas City, and San Francisco had voted on January 10 to maintain the existing rate.

Federal Reserve Bank directors in favor of a 75-basis-point reduction cited weakening economic activity and an appreciable increase in downside risks to the near-term outlook for growth. Some directors noted that recent reports on various indicators of economic growth, including employment, manufacturing, housing, and consumer spending, had been negative. Although directors considered inflation, which recently had been somewhat elevated, to be a concern, they judged that the risks to prospects for the real economy were larger. They agreed that current economic conditions warranted a sizable reduction in the primary credit rate.

Federal Reserve Bank directors in favor of reducing the primary credit rate by 50 basis points also cited indications of weakening growth and expressed concern about prospects for real activity. They emphasized the need to ease the stance of monetary policy quickly to mitigate the risk of a longer-term, broad-based slowdown in economic activity. Overall, the directors considered downside risks to economic growth to outweigh concerns about the upside risks to inflation. In their view, an appropriately accommodative stance for monetary policy at this time required a 50-basis-point reduction in the primary credit rate.

Other Federal Reserve Bank directors preferred a 25-basis-point reduction in the primary credit rate, in large measure because of their substantial uncertainty about the outlook for inflation as well as real economic activity.

Federal Reserve Bank directors in favor of maintaining the existing primary credit rate generally agreed with concerns about elevated risks in the outlook for economic growth and inflation. They preferred, however, to review additional data before considering a rate reduction.

At today's meeting, there was a consensus for a 75-basis-point reduction, and the Board approved a reduction in the primary credit rate from 4-3/4 percent to 4 percent, effective January 22 for the Federal Reserve Banks of Chicago and Minneapolis. Earlier today, the Federal Open Market Committee had decided to lower its target for the federal funds rate by 75 basis points to 3-1/2 percent, also effective January 22. It was understood that a press release announcing the reductions in the two rates would be issued.

In addition, the Secretary was authorized to inform the remaining Reserve Banks, on their establishment of a primary credit rate of 4 percent, of the Board's approval. (NOTE: Subsequently, the remaining Reserve Banks established that rate and were informed of the Board's approval, effective January 22 for the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Dallas, and San Francisco, effective January 23 for the Federal Reserve Bank of St. Louis, and effective January 24 for the Federal Reserve Banks of Atlanta and Kansas City.)

**Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and
Governors Warsh and Kroszner.**

Background: Office of the Secretary memorandum, January 18, 2008.

Implementation: Press releases and wires from Mr. Frierson and Ms. Johnson to the Reserve Banks, January 22 and 24, and Federal Register document, January 25, 2008.

DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates and of the auction procedure for determining the rate for the Term Auction Facility.

**Approved.
January 21, 2008.**

Effective January 22, 2008, the Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, Dallas, and San Francisco on January 10, and by the Federal Reserve Banks of New York, Philadelphia,

Chicago, and Minneapolis on January 17 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs and renewal of the auction procedure for determining the rate for the Term Auction Facility.

Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh and Kroszner.

Background: Office of the Secretary memorandum, January 18, 2008.

Implementation: Wire from Mr. Frierson to the Reserve Banks, January 22, 2008.

DISCOUNT AND ADVANCE RATES -- Requests by nine Reserve Banks to lower the primary credit rate; requests by two Reserve Banks to maintain the existing rate.

**Existing rate maintained.
January 28, 2008.**

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of New York had voted on January 23, 2008, the directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Atlanta, St. Louis, Kansas City, and San Francisco had voted on January 24, and the directors of the Federal Reserve Bank of Chicago had voted on January 25 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 3-1/2 percent (a reduction from 4 percent). The directors of the Federal Reserve Bank of Richmond had voted on January 22 and the directors of the Federal Reserve Bank of Dallas had voted on January 24 to maintain the existing rate.

Federal Reserve Bank directors in favor of a 50-basis-point reduction in the primary credit rate generally agreed that continued deterioration in financial markets and weakened economic conditions in housing and labor markets had considerably worsened the economic outlook. They viewed these circumstances as raising downside risks for economic growth. Directors concluded that a more accommodative stance for monetary policy in the near term would provide additional insurance against a protracted slowdown in economic activity. Some directors noted, however, that the duration of such an accommodative stance should be considered carefully in view of continuing upside risks to inflation.

Federal Reserve Bank directors in favor of maintaining the current primary credit rate noted the 75-basis-point reduction in the rate last week and preferred to take no further action without new information.

At today's meeting, no sentiment was expressed in favor of considering the primary credit rate before tomorrow's meeting of the Federal Open Market Committee, and the existing rate was maintained.

Participating in this determination: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

Background: Office of the Secretary memorandum, January 25, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, January 28, 2008.

DISCOUNT AND ADVANCE RATES -- Renewal by eleven Reserve Banks of the formulas for calculating the secondary and seasonal credit rates and of the auction procedure for determining the rate for the Term Auction Facility.

**Approved.
January 28, 2008.**

The Board approved renewal by the Federal Reserve Bank of Richmond on January 22, 2008, by the Federal Reserve Bank of New York on January 23, by the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Atlanta, St. Louis, Kansas City, Dallas, and San Francisco on January 24, and by the Federal Reserve Bank of Chicago on January 25 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs and renewal of the auction procedure for determining the rate for the Term Auction Facility.

Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

Background: Office of the Secretary memorandum, January 25, 2008.

Implementation: Wire from Ms. Johnson to the Reserve Banks, January 28, 2008.

DISCOUNT AND ADVANCE RATES -- Reduction in the primary credit rate from 4 percent to 3-1/2 percent.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Bank of New York had voted on January 23, 2008, the directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Atlanta, St. Louis, Kansas City, and San Francisco had voted on January 24, and the directors of the Federal Reserve Bank of Chicago had voted on January 25 to establish a rate for discounts and advances under the primary credit program (primary credit rate) of 3-1/2 percent (a reduction from 4 percent). The directors of the Federal Reserve Bank of Richmond had voted on January 22 and the directors of the Federal Reserve Bank of Dallas had voted on January 24 to maintain the existing rate. At its meeting on January 28, the Board had taken no action on the requests to lower the primary credit rate.

At today's meeting, there was a consensus for a 50-basis-point reduction, and the Board approved a reduction in the primary credit rate from 4 percent to 3-1/2 percent, effective immediately for the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Atlanta, Chicago, Kansas City, and San Francisco and effective January 31 for the Federal Reserve Bank of St. Louis. Earlier today, the Federal Open Market Committee had decided to lower its target for the federal funds rate by 50 basis points to 3 percent. It was understood that a press release announcing the reductions in the two rates would be issued.

In addition, the Secretary was authorized to inform the remaining Reserve Banks, on their establishment of a primary credit rate of 3-1/2 percent, of the Board's approval. (NOTE: Subsequently, the Federal Reserve Banks of Richmond, Minneapolis, and Dallas established that rate and were informed of the Board's approval, effective January 31.)

Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

Background: Office of the Secretary memorandum, January 25, 2008.

Implementation: Press releases and wires from Ms. Johnson to the Reserve Banks, January 30 and 31, and Federal Register document, February 4, 2008.